

July 2019

Quarterly Note

Intesa Sanpaolo  
 International Research  
 Network

**Despite the EA slowdown, economic activity continues to be strong in CEE/SEE countries. The ECB’s dovish shift supports a prolonged phase of monetary easing in the region. Banking aggregates’ growth consolidated.**

Economic activity, though softening, is still robust in CEE countries, despite the slowdown occurring in the EA. In May, industrial production only slightly decelerated on average (+6.6% yoy vs. +7.6% in April) with the May-April average (+7.1% yoy) still above 1Q (+5.0% yoy). The business cycle’s performance continues to be particularly strong, especially in Hungary and Poland, where industrial production grew by 8% and 7.7%, respectively, in May. A weaker economic dynamic is instead shown by the SEE region. In May industrial production almost stagnated on average (with a meagre 0.1% average increase yoy, ranging from -4.0% in Bosnia to +0.2% in Romania), with both exports and retail sales decelerating (to +6.2% yoy and +3.1% yoy respectively, from +8.5% and +6.8% in April). A future softening of the cycle is nevertheless signalled in the CEE/SEE regions by the ESI’s most recent release.

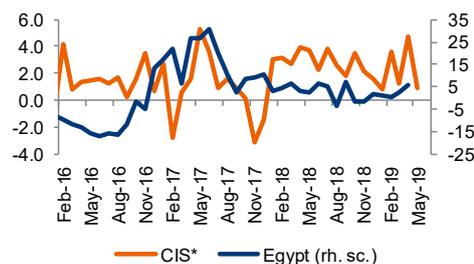
In the CEE and SEE areas inflation of 2.7% in June, in both regions, was still above the 1Q trend. This dynamic was mostly driven by the alternate profile of energy prices since 4Q18. Inflation rate ranged from 1.9% in Slovenia to 3.4% in Hungary, among CEE, and from 0.6% in Croatia to 3.8% in Romania among SEE countries. Inflation remains overall within the ranges set by the CBs, even in certain cases in their upper part due to domestic demand and wage pressures.

Given the ongoing weakening of economic activity and the still subdued inflation rates in the EA, the ECB does no longer exclude the possibility of a new rate cut and has said it stands ready to readjust the QE, as appropriate. In this context, the CBs in the CEE/SEE areas turned out to more dovish tones. The central banks of Czech Republic and Romania, which had already started a tightening cycle, have paused. The Polish CB is no longer expected to hike, while the MNB – despite domestic inflationary pressures – is not foreseen to move quickly to return to a normalisation of interest rates. The CB of Serbia in June decided to cut again the policy rate by 25bps to 2.75%. Overall, long-term yields have deepened the fall recorded in June; in Croatia this was also supported by the prospect of its future entry into the ERM II.

In the CIS area, in 1H19 growth was weaker than expected in Russia but stronger in Ukraine and Moldova. Benign inflation numbers led to rate cuts in July in both Russia and Ukraine. In Egypt, notwithstanding the large fall in inflation in June, which was partly due to the base effect related to the different timing of tariff revisions in 2018 and 2019, the CBE left its policy rates unchanged as it waits for additional indications that inflation is on a firm downward trend.

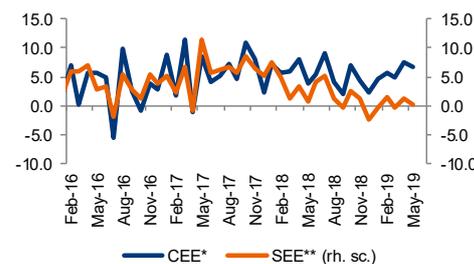
Banking aggregates decelerated only slightly in most CEE/SEE countries in May, and the growth rate remained quite strong overall, mostly driven by the household sector. Private sector loans increased by double digits in Hungary (+11.3%). Household loan growth was about 10% in both Serbia and Slovakia. Corporate loans surged in Hungary (+14.5%), slightly strengthened in Bosnia, Romania and Slovakia, but remained weaker in Albania (-0.7%), Slovenia (-0.2% yoy) and Croatia (-1% yoy). Despite growing competition from other savings products, deposits were still dynamic overall, particularly in Hungary (+10.3%) and Poland (+11.6%). Household loans were strong in the CIS countries, as well as in Russia (+23.8% yoy thanks to the country’s stabilising operating environment), Moldova (with an outstanding +38% yoy) and Ukraine (+14%). Despite the economic recovery, corporate loans decreased in Ukraine (-3.5% yoy), which was affected by poor asset quality (NPL ratio over 50%). In Egypt, both bank lending (+16.3% yoy) and deposits (+12.1%) remained strong as of March.

**Industrial production % yoy – CIS – Egypt**



Sources: National statistics offices; note \* weighted average on Russia and Ukraine data

**Industrial production % yoy – CEE – SEE**



Sources: National statistics offices; note \* weighted average on Slovakia, Slovenia and Hungary data; \*\* weighted average on Bosnia, Croatia, Romania and Serbia data

[See the final page for important information.](#)

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This note has been coordinated by Gianluca Salsecci. The names of the authors are reported in the single sections.

The note considers the countries with Intesa Sanpaolo Subsidiaries and in particular: Slovakia, Slovenia and Hungary among CEE Countries, Albania, Bosnia, Croatia, Serbia and Romania among SEE Countries, Russia, Moldova and Ukraine among CSI Countries and Egypt among MENA Countries.

The Economic and Banking Monitor is released on a quarterly basis in January, April, July and October.

The figures in this document have been updated to July 24, 2019.

## Cross Country Analysis

### CEE Area

The softening of global growth in 1Q19 continued in 2Q19 as world manufacturing activity decelerated further in real terms to +0.8% yoy in April from +1.7% in May, according to the Netherlands Bureau for Economic Policy Analysis (CPB). Amid the rising global trade tensions, world trade was almost stagnant, with an increase of just 0.1% yoy in April from an increase of 1.4% yoy the previous month, according to the CPB World Trade Volume Indicator. In the Euro area, available hard data suggest a softer economic dynamic in 2Q as industrial production contracted further in April and May (-0.4% yoy and -0.5% yoy, respectively). In addition, in the same quarter the ESI was below its Q1 average.

Antonio Pesce

Against this backdrop, high frequency indicators continued to show a robust pattern in the CEE area. The shortfall so far of international trade seems to have only slightly affected the **region**, where the (nominal) export trend, even if decelerating, still grew by 6.2% yoy in May (from +8.5% in April), bringing the two-month average (+7.4%) only marginally below the 1Q outcome (+8.7%). In the same vein, retail sales (in real terms), while decelerating in May, (+3.8% from +9.2% the previous month) still showed a two-month average (+6.5% yoy) that was higher than the 1Q dynamic (+4.6% yoy), as favourable labour market conditions continued to support household expenditure. The same pattern occurred for industrial production growth, which, though also decelerating in May, remained strong (+6.6% yoy against +7.6% in April), with the two-month average (+7.1% yoy) above the 1Q outcome (+5.0% yoy).

Some differences nevertheless emerged among countries. While in **Hungary**, the growth in industrial production in May accelerated further (+8.7% yoy), in the other countries it decelerated slightly (even if remaining still robust), for example, in **Poland** where it 'softened' to +7.7% but after a strong peak reached in April (+9.2%), and in Slovakia and Slovenia, where it 'slowed down' to +4.7% and +3.1%, respectively, after recording +7% and +5.5%, respectively, in April. As far as forward-looking indicators are concerned, in June the ESI was lower than 1Q among CEE countries. In the same month manufacturing PMI in Hungary fell to 54.4 - below the 57.9 of previous month – even if still well above the 50-threshold level.

**Inflation** of 2.7% in June (close to the 2.6% recorded on average in April and May) was still above the trend shown in 1Q. The dynamic was mostly affected by the profile of energy prices, which have eventually stabilised in the last two months after the fall seen in 4Q18 and the subsequent recovery in 1Q19. At the regional level, the inflation rate ranged from the 1.9% observed in Slovenia to the 3.4% seen in Hungary, where core inflation remained at 3.8%. The inflation rates remain overall within the ranges set by the CBs, even if in certain cases in their upper part due to emerging demand and wage pressures.

Given the weakening of economic activity and the still subdued inflation rates, the major world central banks have reassessed the direction of their **monetary policies**. The Fed is now expected to cut rates by year-end. The ECB does no longer exclude this option, in addition to the possibility of a reopening of QE and the **CBs** of the CEE countries have turned to more dovish tones. The Czech central bank, which had already started the normalisation of interest rates, has now paused. The Polish CB is no longer expected to hike and the MNB – despite some inflationary pressures – is not expected to move quickly towards the normalisation of rates.

In this context, **short-term interest rates** remained roughly unchanged during the last month (with just a 10bps increase in Hungary and a 10bps decrease in Slovakia and Slovenia), but **long-term yields** decreased further, following Bund yields, which had fallen to -0.4%. Spreads narrowed also somewhat overall. In the FX markets, local currencies remained roughly stable, with the exception of the Hungarian forint, which even if partially correcting earlier losses has finally shown a slight depreciation (by 1.7% ca.) with respect to three months ago.

In the **CEE region**, banking aggregates slowed slightly in May, but with some differences at the national level. In **Czech Republic**, lending growth performed well (+6.3% yoy) but was slightly lower among both households (+6.9%) and corporates (+5.4% yoy) with respect to the trend shown in April. Deposits were also dynamic (+6.6% yoy in May), decelerating among households (to +7.2% yoy from +7.5% yoy in April) and accelerating among corporates (to +5.1% yoy from +3.5%). The deposit resilience led to a further decline in the LTD ratio to 75%. The CCB lifted the countercyclical capital buffer rate by 25bps to 2% (effective July 1, 2020) because of the slight increase in the signs of vulnerability in the banking sector. The good economic performance held up banking aggregates in **Hungary**, where loans surged in May by 11.3% yoy, driven by both corporates (+14.5% yoy) and households (+7.6% yoy). Deposits also showed a double-digit increase (+10.3% yoy), mainly supported by households (+13.6%) thanks to improving labour market conditions, while corporate deposits decelerated (+6.9%). The biggest bank in the country, OTP, bought a 90.6% stake in SocGen Montenegro after several acquisitions in the region. It also tapped the international market with a benchmark size issue (EUR 500Mn) of subordinated bonds, its first since 2006.

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However, banking aggregates slowed slightly in **Poland**, where loans increased by 6.1% yoy in May from +7.5% yoy in April, both in the corporate (+4.2% yoy) and the household (+7.1% yoy) sectors. The NBP expressed some concerns about mortgage lending, which should be monitored with respect to the risk of excessive expansion and low profitability, however it did not see this as posing a threat to the stability of the banking system. The strong labour market supported an increase in deposits (+11.6% yoy in May from +11.8% yoy in April), particularly among households (+13% yoy vs. +7.5% yoy in corporates). Banking aggregates decelerated in **Slovenia** as well, with loans increasing by 3.2% yoy (+3.5% yoy in April) and deposits by 5.9% (from +6.3% yoy the previous month). Loans to corporates disappointed, returning to negative territory (-0.2% yoy in May). According to CB data, the net profits of Slovenian banks were up by 16% in the first five months of 2019 (to EUR 268.3Mn versus EUR 230.5Mn in the same period last year), thanks to higher non-interest rate income and a fall in bad loans (to 3.5% of total loans as of May). The CB noted a risk of a growing maturity mismatch (which affects many countries in the area due to the increase in mortgage loans and short-term deposits). In contrast, banking aggregates slightly accelerated in **Slovakia** despite measures adopted to cool loans to households (+9.6% yoy in May). Corporate loans grew by 6.3% yoy from 5.3% yoy in April. Deposits from the private sector (+5.6% yoy in May) accelerated in corporates (to +2.9% yoy) and remained above +7% among households.

## SEE Area

High frequency indicators signalled, on average, a weaker performance of the economic activity in the **SEE region** versus the CEE area. The regional industrial production trend decreased markedly in May (almost stagnating, with a meagre 0.1% increase yoy) even if, when combining May and April, it is well above 1Q (+0.6% y/y against +0.2% yoy). In May, both exports and retail sales decelerated (to +6.2% yoy and +3.1% yoy, respectively, from +8.5% and +6.8% in April) and, unlike industrial production, in both cases the averages of the last two months, while still strong at +7.4% and +4.9%, respectively, were lower than in 1Q (+8.7% and +7.7%).

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Within the region, in May the industrial production trend remained negative in **Bosnia and Serbia**, and was only slightly positive in **Romania** and **Croatia**, where it had retraced, however, after several months of robust growth. In **Albania**, the export dynamic was still negative in May (-8.2% yoy) and worse than in April and in 1Q. Survey data highlight a diversified picture in June the ESI decreased in Croatia but improved in Romania (above the 1Q average).

Regarding **inflation**, in June it decreased on average to 2.7% from 3.0% the previous year (excluding Albania and Bosnia, for which June data are not available yet), ranging from 0.6% in Croatia to 3.8% in Romania. Consumer prices decelerated in all of the countries, with core inflation decreasing to 2.6% from 2.8% in May. The boards of the **central banks** of the region in

their most recent meetings shifted towards a more dovish tone in their monetary stance. In Romania the CB, which had already started a tightening cycle in January 2018, has now paused. In Serbia, the CB decided to cut the policy rate again by 25bps to 2.75%, supported by subdued inflation findings. Long-term yields fell further in Croatia to 1.1% at mid-July, compared with 1.3% at mid-June, supported by the prospects of future entry into the ERM II.

**Banking aggregates** accelerated in May in Albania, Bosnia and Croatia but decelerated in Serbia and Romania. In **Albania**, loans increased by 0.9% yoy (from -0.8% in April). Lending shrank further to corporates (-0.7% yoy as of May), while accelerating slightly among households (+4.4% yoy). Deposits improved to 2.4% yoy from +1.8% yoy in April. Household deposits, which account for more than 80% of total deposits, increased by 1.8% yoy, thanks to deposits denominated in foreign currencies (+4.3% yoy), while deposits in local currency decreased by 0.9% yoy. Adjusted for the gradual appreciation of the exchange rate, the increases have been stronger (+4.2% yoy total deposits and +7.9% yoy deposits in foreign currency).

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In **Bosnia**, loans strengthened further in May (+6.1% yoy from +5.8% in April), particularly in the corporate sector (+4.8% yoy from +4.2% in April), while loans to households maintained the same increase as in the last few months (+7.4% yoy). Deposits continued to decelerate, mainly among corporates, where the growth fell to 2.5% yoy from 6.9% yoy in April, carrying on a declining trend that has been taking place since June 2018. In **Croatia**, loan growth consolidated (+3.3% yoy as of May) but only because of households (+6.3%), while corporate loans again showed a decrease (-1.1% yoy) partly due, however, to ongoing restructurings. New business flows actually slightly exceeded reimbursements and write-offs (HRK 4.29Bn vs. HRK 4.07Bn). The future entry into the SSM is considered to be positive for Croatian banks due to the further strengthening of banking supervision. The procedure, in cooperation with the ECB, consists of two steps: the harmonisation of the regulatory framework and the comprehensive assessment of credit institutions (evaluating asset quality and testing banks' resilience to shocks). The NPL level remains the biggest issue (at 9.51% of total loans as of March). Euroisation is still high (54% of loans and 58% of deposits are in foreign currencies, mainly the euro).

In **Romania**, the growth in lending performance was still above 7% in May, both in the household sector, at +7.3% yoy, and in corporates (at +7.7% yoy vs. +7.4% yoy in April). NPLs remained at 4.9% of total loans as of March. Deposits performed well (+10% yoy, supported by households benefiting from a strong labour market). The bank tax (passed on March 29, 2019), even if not clearly defined, is expected to put pressure on the profitability outlook for banks. Loan performance in **Serbia** (+9.3% yoy in May) continued to be supported by households (+10.9% yoy), but loans to corporates maintained a quick pace (+8% yoy) as well. Loans in foreign currency increased further, by 8.6% yoy, not only among corporates (+9.2%) but also among households (+7.3%), highlighting that euroisation remains strong. Household deposits were dynamic (+11% yoy) while corporate deposits decelerated yoy (to +8.9%), having decreased since December 2018 (from RSD 882Bn to RSD 785Bn, mainly due to funds owned by public companies). According to public information, the sale of the second-biggest bank (Komercijalna Banka) has attracted interest from Raiffeisen Bank, NLB Bank and a US-European consortium. Interest rates slightly increased in April and May, but the recent cut by the CB is expected to push banking interest rates back to lower levels.

## CIS and MENA Areas

In **Russia**, the pace of economic growth seen in 1H19 was weaker than initially expected. According to preliminary estimates, real GDP growth accelerated to 0.8% yoy in Q2 from 0.5% yoy in Q1, mainly reflecting stronger manufacturing (+2.4% in Q2 vs. +1.3% in Q1) and utility (+1.8% vs. -1.5%) activities. Construction (+0.1% vs. +0.2%) and sales (+1.5% vs. +1.9%) confirmed their recent weakness. Mining slowed (+3.1% vs. +4.7%) following the OPEC+ oil output cuts and agriculture was little changed (+1.1% in both quarters). Following the further falls in the headline and core inflation measures in June (to 4.7% yoy from 5.1% yoy in May and

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to 3.9% from 4.2% in May, respectively) the central bank's board followed up on June's interest rate cut with another policy rate reduction of 25bps (to 7.25%) at its 26<sup>th</sup> July meeting.

In **Ukraine**, already released data point to an acceleration in the pace of growth in Q219 from the 2.5% seen in Q1, led by still strong construction (+27.2% yoy), sales (+11.2% yoy), agriculture (+3.4% yoy) and the recovery in manufacturing output (+0.7% from -1% in Q1). The NBU has revised its economic growth projection compared with the April macroeconomic forecast to 3% in 2019 (from 2.5%) and 3.2% in 2020 (from 2.9%) amid stronger domestic demand, more favourable terms of trade and expectations of larger harvest of grain crops. Following benign inflation numbers (the headline rate eased to 9% in June from 9.6% in May, while core inflation was unchanged at 7.4%) at its mid-July meeting, the NBU cut its main policy rate by 50bp to 17%. The NBU reiterated its forecast that inflation will decline to 6.3% by the end of 2019 and reach the medium-term target of 5% by the end of 2020. **Moldova** posted annual consumer price inflation of 4.4% yoy in June, slowing from 4.6% yoy the previous month. The main inflation driver in June was food prices, which rose by 7.3%. Prices of non-food products increased by 4.4% on the year in June, while services edged down 0.3%. Real GDP growth was stronger than expected in Q119, accelerating to 4.4% yoy from 3.8% yoy in Q418. The main drivers in Q1 were construction (+15.7%) and retail trade (+6.8%). Industrial production growth was relatively weak (+1.5% yoy) but it recorded a 3.5% average increase in the April-May period.

In **Egypt**, annual headline and core inflation slowed to 9.4% and 6.4% in June from 14.1% and 7.8% in May, respectively, recording the lowest rates for more than three years. This decline was strongly supported by favourable base effects, resulting from the phasing out of the impact of the fiscal consolidation measures implemented in June 2018 (mainly cuts in subsidies), in addition to the significant decline in volatile food prices. This year the government decided new adjustments in the subsidy system, which includes reaching cost recovery for most fuel products, as well as fuel price indexation to underlying costs. These new measures will affect July's inflation numbers. At its July meeting the central bank kept its policy rates unchanged as it waits to assess the impact on inflation of the above-mentioned budgetary policies. Meanwhile, real GDP growth continued to increase slightly to record a preliminary estimate of 5.7% in Q2 2019, compared to 5.6% in the previous quarter, leading to an estimated growth rate of 5.6% for the fiscal year 2018/19, the highest since the fiscal year 2007/08.

In the **CIS area**, in **Russia**, the dynamic of loans to households remained strong (+23.8% yoy as of May) despite the central bank's measures adopted in the last few months to limit household lending growth and indebtedness. Loans to corporates decelerated to +6.8% yoy as of April. Deposits also rose significantly (+10.8% yoy in April), particularly among corporates (+15.2%) but also among households (7.7%). The CBR announced that the net profit of the banking sector increased by almost 60% in 1H19 yoy (to RUB 1Trl from RUB 634Bn). Despite the good economic performance, loans to **Ukrainian** corporates decreased by 3.5% yoy as of May due to cleaning operations. NPLs (still over 50%) are expected to continue to weigh on lending. Deposit growth remained dynamic (8.9% vs. 8.8% yoy in April), from both corporates (9.3%) and households (8.6%). The LTD ratio improved to 118.6% (from 120.9% as of April). In **Moldova** the strengthening of loans to corporates has to be highlighted (+8% yoy as of May from -1.5% in 2018), while household loans remained exceptionally dynamic (+38.9% yoy). Corporate loans accounted for almost 70% of the total portfolio. NPLs are slowly improving (10.9% of total loans). Deposits accelerated to +8.8% yoy, both in households (+10.1%) and in the corporate sector (+6.3% yoy). The LTD ratio remained one of the lowest among countries with ISP subsidiaries (57.3% as of May).

In **Egypt**, in May loans grew by 16.3% in the private sector (just a bit higher than the annual inflation rate in the same month). The performance remained stronger among households (+22% as of May) than among corporates (14%). Deposits grew in parallel by 12.1%, both from corporates (8.8%) and households (12.9%). The LTD ratio remained very low (34.8%).

Davidia Zucchelli

## Country-Specific Analysis

### Czech Republic

#### Real Economy

The Czech economy is decelerating alongside the slowdown in broader Europe. Owing to robust domestic demand, however, the moderation is less pronounced than elsewhere. For example, industrial production posted year-on-year rises of more than 3% in both April and May. Our forecast assumes Czech's GDP will grow by 2.4% in 2019, which is still triple the growth rate of the German economy, Czech's key trading partner.

Within domestic demand, all components contributed positively to growth and offsetting the external headwinds. Household consumption is supported by the tight labour market, which features the lowest unemployment rate in the EU (2.2% in May), and wages that advanced in real terms at a pace of almost 5% yoy in 1Q. Retail sales, however, slowed to a 2.7% yoy rise in May. Public consumption remains supported by the expansionary fiscal stance due to budgetary surpluses and low public debt. Investments are on the rise as companies substitute capital for (the lack of) labour and the government intensifies the drawdown of EU funds on public infrastructure projects.

#### Financial Markets

The Czech National Bank (CNB) has been active in addressing the booming economy and higher inflation, hiking rates eight times in total between August 2017 and May 2019. The key two-week rate is now at 2.0%, still below the CNB's estimated neutral rate of 3.00%. With inflation above the 2% target, there is still a case for policy tightening. For the rest of this year though, the most likely scenario is for the CNB to hold steady amid the rising external uncertainty and the ECB and the Fed's dovishness.

Czech yields have plummeted in recent weeks alongside German bunds and the yield curve has turned from flat to inverted. As core yields are now seen as being lower for longer, such a scenario is likely to prevail in the foreseeable future. The exchange rate of the koruna has remained broadly flat, with only a moderate appreciation to 25.5 korunas per Euro. Looking ahead, we believe that the koruna will appreciate vs. the Euro, but probably at a slower pace than previously expected.

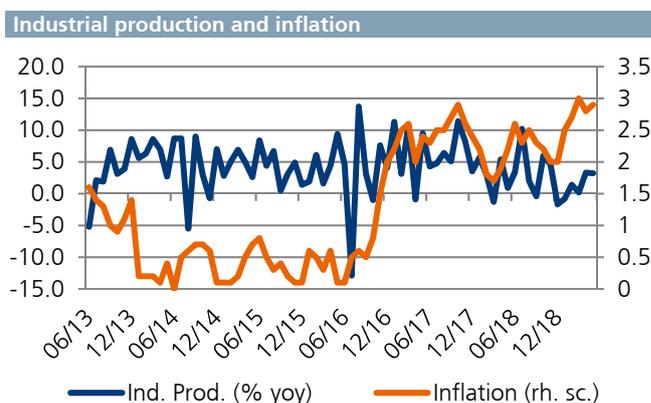
#### Banking Sector

Alongside the robust domestic economy, the Czech banking sector will continue to grow at a solid pace. The growth rate of loans and deposits in the Czech Republic is relatively even and we expect it to remain so in the years ahead. The pace of lending and deposit growth, however, will likely moderate towards the nominal GDP growth rate, from nearly 7% yoy currently to about 4% from 2021 onwards. The loan-to-deposit ratio looks set to remain at a comfortable 75%.

Latest economic indicators	Last value	1Q 19	4Q 18
Industrial production, wda yoy	3.2 (May)	0.3	3.0
Export of goods, nominal yoy	8.8 (May)	5.5	8.4
CB refi rate	2.0 (19th Jul)	1.8	1.8
ESI (index)	103.5 (Jun)	107.2	108.8
Retail sales yoy	8.8 (May)	5.5	8.4
Inflation rate, average yoy	2.7 (Jun)	2.7	2.1
Loans (priv. sector, yoy, eop)	6.3 (May)	6.8	6.8
Deposits (priv. sector, yoy, eop)	6.6 (May)	6.5	6.9
Lending interest rate (corp., eop)	3.2 (May)	3.3	3.3
Deposit interest rate (hh, eop)	1.5 (May)	1.5	1.4

Source: Czech National Bank, Czech Statistical Office

Zdenko Štefanides,  
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Source: Czech Statistical Office

## Hungary

## Real Economy

In Hungary, the economy in general and the manufacturing sector in particular have remained robust, despite the downturn and concerns regarding Eurozone manufacturing performance. The growth rate of industrial production was above 6% in May, with also a relatively strong export performance. Forward-looking indicators, including PMI, of Hungary's economy have shown something of a downward turn in June, but still reflect expectations for only a modest slowdown for the short run. Hence, while the unexpectedly high Q1 growth of 5.3% may not be repeated in Q2, the 2019 annual GDP growth forecast may be raised further in the autumn. We still believe that some deceleration will arrive later this year and especially in 2020, as the major drivers of growth (including investments fueled by EU funds and strong nominal and real wage growth) are set to make lower contributions to GDP growth in the quarters ahead. The headline inflation figure dropped to 3.4% recently, along with a downward shift in core inflation. CPI rates may remain below 3.5% for the summer and autumn months.

## Financial Markets

The central bank (NBH) 3M policy rate has been left on hold at 0.90% so far in 2019 (as in 2018). The more functional O/N depo rate has also been left unchanged after the small hike to -0.05% in March. While the central bank had been preparing markets for the normalisation of monetary policy in Q1, the recent dovish shift in ECB policy (and also in the Fed's policy) has created fresh room for maneuver. The central bank announced that its monetary approach is data-driven and no forward guidance is warranted given the high global uncertainty. BUBOR rates have recently been driven more by liquidity shifts than policy expectations.

Longer yields have shown a strong downward correction recently as a result of a similar drop in German yields, without a major shift in the trend of yield spreads. The forint has partially corrected earlier losses but has mostly remained in the 320-326 range. The NBH's stance appears to be aimed at preventing a lasting return of the EUR/HUF rate to below 320, with it instead being close to 325.

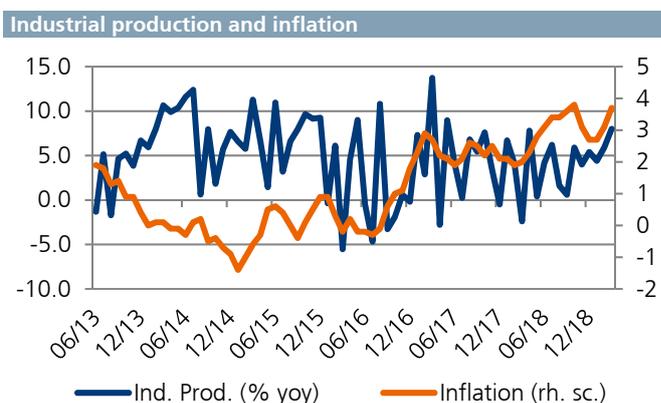
## Banking Sector

Hungary's banking sector, and lending dynamics in particular, enjoy the support of strong GDP growth and the strengthening of domestic consumer confidence and consumption. Growth is set to continue throughout this year and may even beat current expectations, possibly even exceeding 2017's jump that marked the initial phase of the recovery. Housing loans are also supported by state subsidies. Some loan segments (including mortgage and personal loans) are showing especially dynamic pick-up. Asset quality continues to improve, even with NPLs already close to 3%, the lowest level of the past 10 years. Lending risks appear to be mitigated by the administrative limits of households' risk-taking, including a cap on monthly repayments as a percentage of disposable income.

Latest economic indicators			
%	Last value	1Q 19	4Q 18
Industrial production yoy	8.0 (Mar)	6.1	5.1
Nom. exports yoy	4.5 (May)	5.9	4.6
ESI (index)	111.2 (Jun)	117.3	118.7
Retail sales yoy	2.6% (May)	6.9	5.1
Inflation rate yoy	3.4 (Jun)	3.2	3.2
CB reference rate	0.9 (19th Jul)	0.9	0.9
Loans (priv. sector, yoy, eop)	11.3 (May)	11.5	10.6
Deposits (priv. sector, yoy, eop)	10.3 (May)	10.1	14.1
Lending interest rate (corp., eop)	2.5 (May)	2.4	2.3
Deposit interest rate (hh, eop)	0.2 (May)	0.2	0.2

Source: Central Bank of Hungary, Hungarian Central Statistical Office

Sandor Jobbagy



Source: Hungarian Central Statistical Office

## Poland

## Real Economy

Poland's forward-looking sentiment indicators remained essentially flat versus the preceding month of May, and only slightly down from Q1 levels. Industrial and export performances showed similar results compared with the beginning of 2019, supporting expectations for solid growth with the potential for a minimal slowdown only after Q1 growth came in at 4.6%. While such a pace is unlikely to be sustainable, the slowdown appears very modest, similar to other countries of the CEE region. Growth has remained supported by relatively strong private consumption amid the revival of industrial performance. Judicial reforms and conflicts with the EU have so far not had an adverse impact on overall GDP growth or the outlook. Fiscal policy has remained in check, as illustrated by the annual deficit.

Inflation has shown some signs of a rise in the past few months, with the headline figure at 2.6% in June. This is still a manageable level, especially with core inflation being even lower than 2%. Current developments still suggest that the annual average may be close to 2%.

Sandor Jobbagy

## Financial Markets

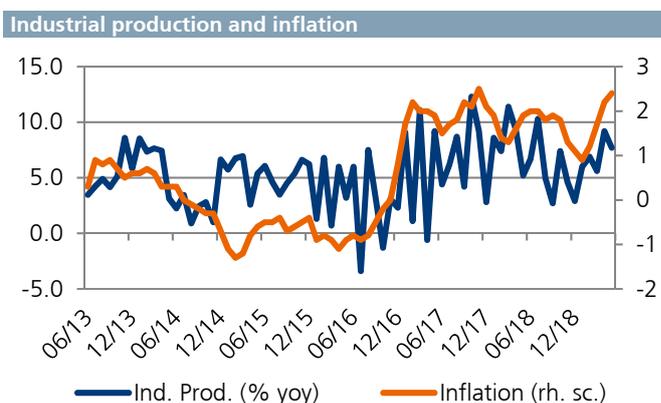
The Polish central bank has left its policy rate unchanged (1.50%) so far in 2019, similar to the whole of last year. While some of last year's monetary decisions and central bank comments, as well as market expectations, had suggested an increasing probability of a tightening cycle to start in the near future, this became out of question in Q2. Both the low domestic inflation environment and the latest dovish shift in ECB policy expectations essentially wiped out domestic expectations for higher rates not only in 2019, but also 2020-21. The central bank had been concerned about food price growth and about accelerating wage growth, but these risks are unlikely to exert strong upward pressure on CPI in the year ahead, which is mostly forecast as close to 2%. The EUR/PLN exchange rate has been constantly below the 4.30 level recently, showing a trend of appreciation since mid-May.

## Banking Sector

Lending activity has remained supported by solid economic growth in Poland. The Polish banking sector's forecast of a lending momentum close to 6% in 2019, following the multi-year record rate last year, has remained supported by the latest data, including household consumption. Loan stocks to the private sector have shown persistent rises, and the overall annual growth rate of the loan stock came above that of the 2016 and 2017 rates recently. Deposit volumes have continued to rise at a relatively fast pace, and these are likely to maintain momentum with only a minor deceleration of pace compared with 2018 despite the relatively low interest rates. The banking sector is likely to experience further consolidation as the sector's concentration is still seen as too low.

Latest economic indicators				
%	Last value	1Q 19	4Q 18	
Industrial production yoy	7.7 (May)	6.2	5.0	
Nom. exports yoy	6.6% (May)	-4.9	2.1	
ESI (index)	101.1 (May)	104.8	106.6	
Retail sales yoy	4.8 (May)	4.5	6.2	
Inflation rate yoy	2.6 (Jun)	1.3	1.4	
CB reference rate	1.5 (19th Jul)	1.5	1.5	
Loans (priv. sector, yoy, eop)	6.1 (May)	7.8	7.9	
Deposits (priv. sector, yoy, eop)	11.6 (May)	10.9	9.4	
Lending interest rate (corp., eop)	3.7 (May)	3.7	3.5	
Deposit interest rate (hh, eop)	1.6 (May)	1.6	1.6	

Source: Narodowy Bank Polski, Statistics Poland



Source: Statistics Poland

## Slovakia

## Real Economy

The Slovak economy continues to post relatively strong macroeconomic figures despite the marked slowdown in the Eurozone. GDP growth in 1Q19 reached 3.7% yoy, with the second quarter at perhaps around 3.3%, mainly due to the base effect of the strong 2Q18. In addition, industrial production and net exports continued to expand in 1Q, despite the supposed weaknesses in demand in the export markets. Solid fundamentals such as new investments in the automotive sector might, however, soon hit their ceiling as car sales in Europe continue to decrease. Exports of goods at current prices registered -0.2% in May yoy. For the time being, we keep our GDP growth forecast at 3.5% in 2019 but are considering a downward revision of our 3.4% expectation for 2020.

The labour market remains tight, with the unemployment rate hovering around historical lows (still at 5-6% though), and wages are growing considerably faster than labour productivity (7.1% in 1Q, 8.9% in selected industries in May). Industry, however, is already reporting lower constraints from the (non-)availability of labour. The consumer inflation rate remains elevated at above 2% yoy, with the rest of the year expected to be close to 2.5%. The higher demand-driven part of inflation could be offset by lower import prices (oil and Eurozone consumer products) in the future and price growth is expected to decelerate next year.

## Financial Markets

Regarding the bond market, spreads on 10Y government bonds versus German Bunds decreased to about 40bps with the recent large downward shift in yields. We expect the spread to increase only slightly as Slovakia's public finances remain relatively healthy. As the yields in Germany again turned negative after the disappointing economic figures and inflation expectations in the Eurozone, the forecasted yield path for Slovak bonds moved downwards too. Together with other decreasing interest rates, this will cut into the net interest income of the local financial sector.

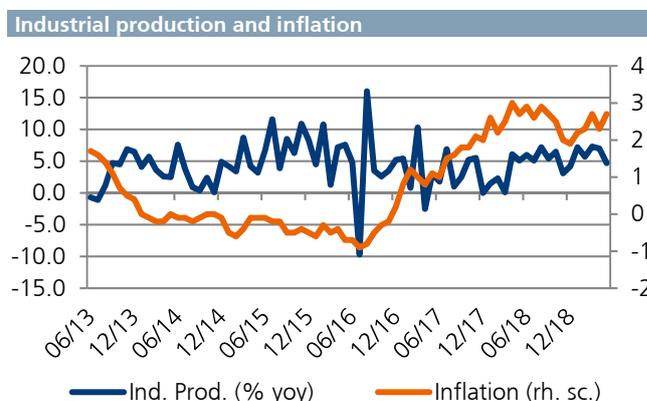
## Banking Sector

The Slovak banking sector is expected to grow markedly in 2019 as well as 2020. However, the new extremely low interest rate environment hurts its profitability. The tighter regulation of new credit from the National Bank of Slovakia (required DTI and LTV ratios) weighs particularly on consumer loans, with mortgages slowing only slightly. The overall loan growth is thus expected to decelerate to 8% yoy. The growth in deposits, supported by rising household incomes, is expected to be above 5% yoy, pulled down by slightly lower deposits from corporations.

Latest economic indicators			
%	Last value	1Q 19	4Q 18
Industrial production, wda yoy	4.7 (May)	6.7	4.6
Nom. exports, yoy	-0.2 (May)	8.8	5.3
ESI (index)	95.2 (Jun)	98.5	97.6
Retail sales, yoy	-2.7 (May)	0.9	4.0
Inflation rate, yoy	2.6 (Jun)	2.4	2.1
ECB refi rate	0.0 (19th Jul)	0.0	0.0
Loans (priv. sector, yoy, eop)	8.3 (May)	8.5	9.1
Deposits (priv. sector, yoy, eop)	5.6 (May)	5.1	7.3
Lending interest rate (corp., eop)	2.0 (May)	2.0	2.0
Deposit interest rate (hh, eop)	0.1 (May)	0.1	0.1

Source: Statistical Office of Slovak, National Bank of Slovak

Michal Lehuta



Source: Statistical Office of Slovak

## Slovenia

## Real Economy

Real retail trade in May rose by 5.6% yoy, the slowest percentage this year, partly due to the relatively high base of May 2018. Between January and May it had advanced by 9.2% yoy on the back of solid labour market conditions, rising wages and consumer loans. Industrial production in May advanced by 3.1% (+4.3% in 2019 ytd), down from +5.3% in April, mostly due to manufacturing output slowing from +6.1% to +3.3%. Goods exports in May rose by 10.6% yoy and imports grew by 4.7%, while in the first five months of 2019 goods exports advanced by 10.3% yoy and imports by 12.6% yoy.

June's annual HICP rate amounted to +1.9% (+1.5% in 1H19), driven primarily by higher prices in the categories of housing, water, electricity, gas and other fuels (+5.5%) and restaurants and hotels (+3.9%).

Ivan Odrčić

## Financial Markets

Money market rates edged down in June in the aftermath of the ECB's dovish meeting. In line with the S&P rating upgrade (from A+ positive outlook to AA- stable outlook), 10Y government bond yields saw a downward trend, falling by an average of 25bps mom to 0.3%, followed by a 10bps lower average spread on the Bund (to 60bps). June ended with a yield amounting to 0.2% (-30bps mom) and a spread at 50bps (-20bps mom). On July 16, the spread widened a bit, to around 58bps, and the yield rose to the 0.28% level. Fitch upgraded Slovenia's credit rating on July 19 to A with a stable outlook, highlighting the lowering of public debt, the public finance surplus and the country's overall economic growth as the main reasons.

Ana Lokin

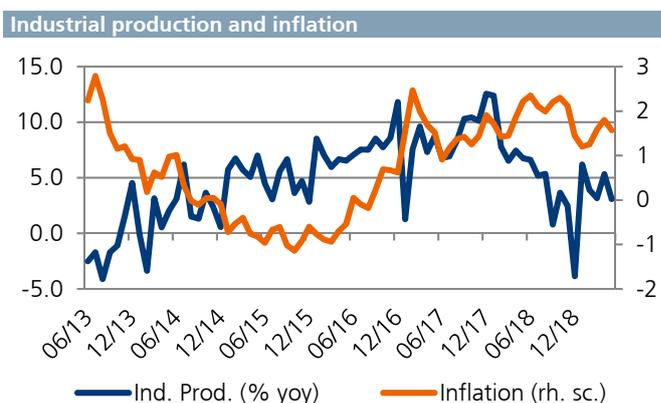
## Banking Sector

The increase in private sector loans decelerated in May to 3.2% yoy. Corporate loans are not yet out of the woods and after two months of mild growth, they have slipped back into negative territory, declining by 0.2% yoy. Household loans slowed to 6.2% yoy, with a more moderate rise in both consumer (11.7% yoy) and housing loans (4.8% yoy). The interest rates on newly granted housing and consumer loans in the first months of this year stagnated, while the share of pricier fixed-rate loans has declined in housing but continued to rise in consumer loans.

Deposits decelerated to 5.9% yoy in May. Household deposits recorded a somewhat stronger rise of 7.4% yoy, with overnight deposits accelerating to 12.0% whereas term deposits continued to shrink by a stubbornly strong 5.1% yoy. Corporate deposits decreased by 0.7% compared with April, which reduced their annual growth rate from 4.1% in April to 1.9% in May (overnight deposits +3.6%, term deposits -2.6%).

Latest economic indicators			
%	Last value	1Q 19	4Q 18
Industrial production, wda yoy	3.1 (May)	4.4	0.8
Nom. exports yoy	10.6 (May)	9.4	7.7
ESI (index)	104.8 (Jun)	108.0	108.3
Consumer confidence indic.	-7.9 (May)	-7.4	-9.6
Inflation rate yoy	1.9 (Jun)	1.3	2.0
ECB refi rate	0.0 (19th Jul)	0.0	0.0
Loans (priv. sector, yoy, eop)	3.2 (May)	3.5	2.6
Deposits (priv. sector, yoy, eop)	5.9 (May)	6.4	6.7
Lending interest rate (corp., eop)	2.1 (May)	2.2	2.2
Deposit interest rate (hh, eop)	0.2 (May)	0.2	0.2

Source: Statistical Office of the Republic of Slovenia, National Bank of Slovenia



Source: Statistical Office of the Republic of Slovenia

## Albania

## Real Economy

The Albanian economy is currently expanding at a slower pace than in 2018. In the first quarter of 2019, GDP growth stood at 2.2%, while in 1Q18 it had been 4.45%. The pace of growth has slowed mainly on account of the contraction in the production and export of electrical energy. Downside internal risks, such as the high public debt with contingent liabilities stemming from controversial public-private partnership programmes, and the ongoing political crisis associated with the economic slowdown in Albania's main economic partners, have strengthened. Exports of goods and services in Q119 were at a low 0.48%, while imports were at 2.45%.

While growth eased, employment and wages instead moved upwards in the first quarter. According to Instat data, the unemployment rate fell to 12.1% (still high), and the average wage recorded 4.9% annual growth. Household expenditure in Q119 rose by 2.25%.

This combination of these figures leads to some potential of an acceleration of domestic inflation.

## Financial Markets

Inflation remained subdued during 1H19, at an average rate of 1.48% and at 1.3% in the month of June. This reflected both the sluggish domestic growth as well as the low imported inflationary pressure. Against this backdrop, the CB deemed that the current accommodative monetary policy stance remains adequate for guaranteeing the convergence of inflation towards the target over the medium term. The duration and intensity of the exchange rate appreciation is expected to remain limited.

## Banking Sector

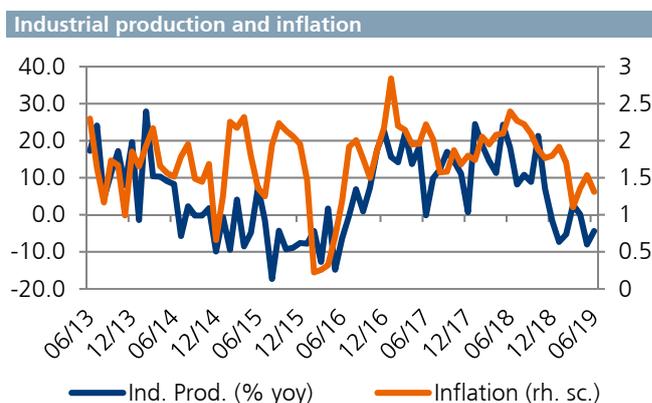
In May 2019, total loans grew by 0.93% (+2.6% when adjusted for the exchange rate), mainly due to the expansion of household loans, which stood at 4.36% (+ 5.6% FX-adjusted), whereas loans to corporates shrank –by 0.74% [+1.1%, however, when adjusted for the exchange rate]. The volume of new loans to the private sector showed a strong performance with a rise of 4.83%. Albeit moderate, the growth in credit is a positive signal related to the improvement in credit supply and demand. The return of the NPL ratio to a downward trend and its fall to 11.37% in May provided encouraging signals on the further improvement of the credit environment and balance sheets of the banking sector.

On the deposit side, in May we saw total deposit growth of 2.45%. This was mainly driven by the business sector, with its deposits growing by 5.75%, while households rose by 1.81%. The volume of new deposits in June shrunk by 8.06%.

Latest economic indicators	Last value	1Q 19	4Q 18
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-8.2 (May)	-3.2	8.9
Unemployment rate	n.a.	n.a.	12.3
Inflation rate, average yoy	1.3 (June)	1.6	1.8
CB reference rate	1.0 (19th Jul)	1.0	1.0
Loans (private sector, yoy, eop)	0.9 (May)	-1.0	-3.8
Deposits (private sector, yoy, eop)	2.4 (May)	1.9	-0.9
Lending interest rate (priv. sect., eop)	6.8 (May)	6.7	6.8
Deposit interest rate (priv. sect, eop)	0.5 (May)	0.6	0.6

Source: National Statistical Institute, Bank of Albania

Kledi Gjordeni



Source: National Statistical Institute

## Bosnia and Herzegovina

## Real Economy

As envisaged in our latest Economic and Banking Outlook, Bosnia and Herzegovina's economy experienced a slowdown in growth in 1Q19, with GDP expanding by 2.3% yoy (0.6% qoq) following 3.2% growth in 4Q18. The details reveal that while domestic demand's contribution strengthened by a hefty 3.7pp, net exports shaved 1.4pp off headline growth as the 3.2% yoy growth in imports completely overrode the almost stagnant export performance (0.9% yoy). With regard to domestic demand, household consumption grew by 1.6% yoy – a tad faster than the average in 2018 – supported by the 3.9% hike in real net wages and steady remittance inflows (+5.6% yoy), while investment activity surged by 10.3% yoy.

Although the slowdown in GDP growth was in line with our expectations, the data released is still preliminary, and in particular, in the case of investments, substantial revisions are not unusual. The available high frequency data for April/May continues to be a mixed bag as industrial production remains in the red (-5.6% in April and -4.0% yoy in May), while exports have recovered (+5.9% and +1.3% yoy), although are still overshadowed by imports (+12.8% and +4.3% yoy). At the same time real retail trade advanced by 4.9% yoy in April only to decline by 0.7% yoy in May (mostly amid the 7.5% yoy decline in automotive fuels turnover, while non-fuel retail turnover growth slowed down to 1.4% yoy due to the high base of last year).

On the political front, nine months since the general elections, the government's formation is still not finished as leaders of the three constitutional nations remain divided over the NATO Membership Action Plan.

## Banking Sector

The healthy growth in private sector loans and deposits continued in May. Loans to the private sector recorded a 6.1% yoy increase as a result of stronger corporate lending (4.8% yoy vs. 4.2% yoy in April). The steady rise in loans to households continued at 7.4% yoy, with the slightly thinner 7.3% yoy increase in consumer loans followed by a higher growth rate in housing loans (+10.4% yoy). The rise in housing loans has accelerated sharply in the past year or so, after the limits on the duration and amounts of non-purpose loans were set (in 4Q 2017). In spite of such a buoyant rise, the share of housing loans in overall household loans remained rather modest at 19% (vs. the 79% share of consumer loans). The growth in private sector deposits continued to oscillate (+7.4% yoy in May), owing to the somewhat unpredictable path of corporate deposits, which slowed from 6.9% yoy in April to 2.5% in May. Household deposits rose to 9.4% yoy, due to the notably stronger growth of funds in transaction accounts of 20.2% yoy, whereas demand and time deposits rose by 10.0% and 2.8% yoy, respectively.

Ivana Jović

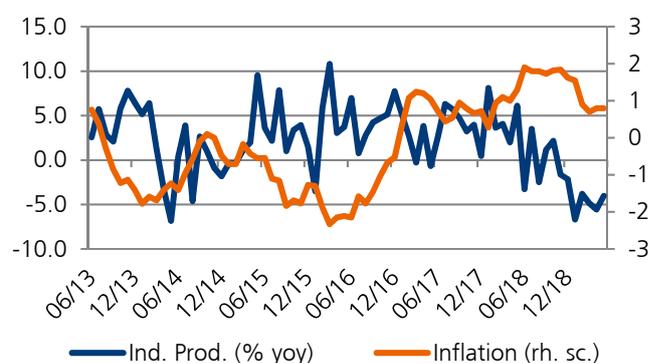
Ana Lokin

## Latest macroeconomic indicators

%	Last value	1Q 19	4Q 18
Industrial production, wda yoy	-4.0 (May)	-5.1	-0.4
Export of goods, nominal yoy	1.3 (May)	-0.6	3.3
Retail trade, real, wda yoy	-0.7 (May)	8.1	9.2
Inflation rate, average yoy	0.8 (May)	1.0	1.8
Loans (private sector, yoy, eop)	6.1 (May)	5.3	5.5
Deposits (private sector, yoy, eop)	7.4 (May)	8.0	8.5

Source: Central Bank of Bosnia and Herzegovina, Agency for statistics of Bosnia and Herzegovina

## Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

## Croatia

## Real Economy

May data showed real retail trade had declined by 2.0% yoy (the first annual decline since Aug 2014), due to the relatively high base of last year and the poor weather conditions that impacted the tourism sector (-4.5% in arrivals, -14.6% in overnight stays, respectively, yoy). At the same time, industrial production stagnated yoy (+0.2%), with the only growth (+20.4%) in activity recorded in the electricity, gas, steam and air conditioning supply output (favourable hydrological conditions), while manufacturing and mining and quarrying output declined by 2.3% and 7.5% yoy, respectively. The goods export growth rate softened in April (to +5.0%), while imports increased strongly (+18.2%). The average annual inflation rate in June softened to +0.6%, from +0.9% in May, while in 1H19 it amounted to +0.7%, supported by the rising prices of solid fuels (+10.3%) and tobacco (+6.0%, higher excises).

Ivan Odrčić

## Financial Markets

The FX market was relatively calm in June, with some slight appreciation pressure coming from increased FX inflows from the tourist season. The average HRK/EUR rate dropped by 0.1% mom to 7.41. Money market rates were stable and 3M Zibor was at 0.5%, in line with high excess liquidity of HRK 30Bn. The average 10Y kuna government bond yield dived by 35bps mom to 1.3% in June, with the spread on the Bund declining by some 20bps mom to 170bps in the aftermath of Fitch's rating upgrade. On July 16 3M Zibor was at 0.48%, excess liquidity remained at around HRK 30Bn and the yield was down to 1.10% and the spread to 140bps. At the same time, the HRK/EUR was at 7.39. On July 4, Croatia submitted a letter of intent for ERM II entry. It is expected that the country could simultaneously join ERM II and the banking union by mid-2020.

Ana Lokin

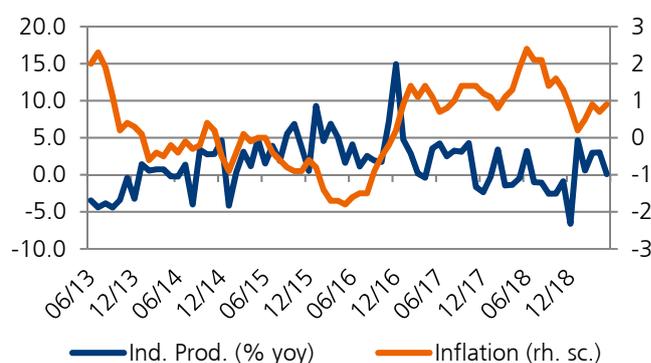
## Banking Sector

The rise in private sector loans continued in May, at a marginally higher rate than in April (+3.3% yoy). The growth was due to increased household lending, which rose by 6.3% yoy, whereas loans to non-financial corporations stayed below ground at -1.1% yoy. According to transaction data, placements to the private sector were higher by 4.0% yoy in May (cumulatively) as households grew by 6.8% yoy and corporates by a meagre 0.3% yoy (+2.2% yoy excluding activation of government guarantees to shipyards). Household loans, particularly cash loans, remain supported by improving labour market trends and lower borrowing costs and the upward trend shows no sign of stuttering in spite of the implementation of the central bank's macroprudential measures in April. Cash loans thus rose by 11.8% yoy and housing loans by 4.2% yoy. The breakdown of corporate loans by purpose reveals strengthening investment loans (+4.6% yoy), and declining working capital loans (-6.5% yoy). Deposits eased to 4.3% yoy in May, with household deposits flattish at 4.0% yoy and corporate deposits decelerating to 5.1% yoy.

Latest economic indicators			
%	Last value	1Q 19	4Q 18
Industrial production, wda yoy	0.1 (May)	2.7	-3.3
Export of goods, nominal yoy	5.0 (Apr)	9.3	0.1
Retail trade, real, wda yoy	-2.0 (May)	6.2	4.7
ESI (index)	112.2 (Jun)	115.4	114.3
Inflation rate, average yoy	0.6 (Jun)	0.5	1.2
Loans (priv. sector, yoy, eop)	3.3 (May)	3.5	2.3
Deposits (priv. sector, yoy, eop)	4.3 (May)	5.1	5.0
Lending interest rate (corp., eop)	3.3 (May)	3.2	3.4
Deposit interest rate (hh, eop)	0.4 (May)	0.4	0.6

Source: Croatian National Bank, Croatia Bureau of Statistics

## Industrial production and inflation



Source: Croatia Bureau of Statistics

## Romania

## Real Economy

The second estimate from the National Statistical Board confirmed the robust growth of 1Q19, (around +5% yoy, +1.3% qoq), based mainly on consumption. The CPI shows a slowdown in June versus previous months, falling under the NBR's projected level (3.8% in June vs. 4.1% in May and a 3.9% projected level for June). Under these circumstances and taking into consideration that there are no significant factors that point to higher inflation in the local market, the 4.2% projected level for the end of 2019 is, in our opinion, reachable. There was a slight decrease also in PPI in May, showing a possible change of trend in the evolution of CPI and PPI. The main two issues that could create problems in the future are linked to the budget deficit, which was significantly higher in May 19 (1.43% of GDP) vs. May 18 (0.88% of GDP), and the trade balance deficit, which reached EUR 6.5Bn in May 19, 25% higher than May 18.

Marius Pacurari

## Financial Markets

The volatility of the EUR/RON exchange rate has been low, mainly due to the positive perception over the NBR's new BOD composition. Liquidity was present in the money market, pushing the NBR to hold several 'depo' auctions during the month to keep the volatility of interest rates low (especially on the very short durations). Even under these circumstances, the overnight rates reached the 1.5% level, the bottom of the technical range. The bond market was stable with no significant volatility. The NBR kept the reference rate at 2.5% and the technical interval at 1.5%/3.5%. If inflation remains below 4.5%, we do not expect further moves by the NBR in a tightening direction.

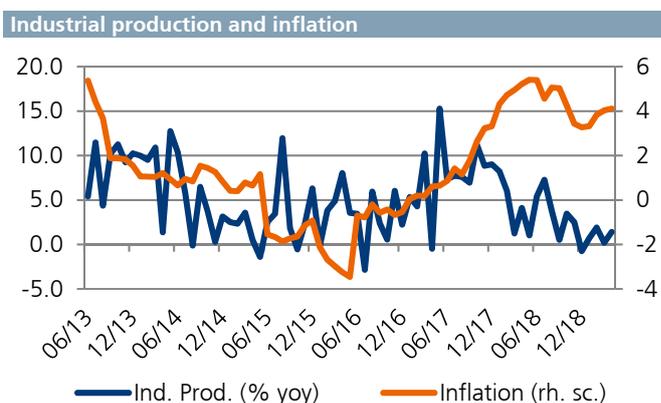
## Banking Sector

The banking sector is still waiting for the implementation procedures for Government Ordinances 114/18 and 19/19 to compute the size of the impact on the P/L of the new tax. Savings continue to grow, by 12% yoy in households (9% in RON and 18% in foreign currencies), and by 6% yoy in corporates (7% in RON and 5% in foreign currencies). Credits also grew in both segments. Household credits grew by 7% yoy due to the RON component (+12%), while the foreign currency component decreased (-8%). On the corporate side we saw 8% growth, with 4% in RON and 13% in foreign currencies. The figures also included the exchange rate effect for foreign currency credits.

The lending rate in RON has increased from 7.08% to 7.77% in the last year, with significant growth in the corporate segment (from 5.39% to 6.36%), while in household the growth was lower (from 8.21% to 8.66%). In EUR the growth in interest rates was less significant (0.09%). In RON deposits, growth was 0.43% overall, while in EUR deposits the rates were almost flat compared with last year.

Latest economic indicators				
%	Last value	1Q 19	4Q 18	
Industrial production yoy	0.2%(May)	0.9	1.7	
Nom. exports yoy	4.4%(May)	3.3	5.0	
ESI (index)	102.5(June)	102.3	101.3	
Retail sales yoy	3.9%(May)	8.3	5.9	
Inflation rate yoy	3.8%(June)	3.7	3.7	
CB reference rate	2.5 (19th Jul)	2.5	2.5	
Loans (priv. sector, yoy, eop)	7.5 (May)	7.7	7.9	
Deposits (priv. sector, yoy, eop)	10.0 (May)	9.4	9.2	
Lending interest rate (corp., eop)	6.4 (May)	6.3	5.8	
Deposit interest rate (hh, eop)	1.7 (May)	1.6	1.8	

Source: National Bank of Romania, National Institute of Statistics



Source: National Institute of Statistics

## Serbia

## Real Economy

According to the Statistical Office, Serbian GDP rose 2.5% yoy in the first quarter of 2019, moderating from 3.4% yoy growth in Q4 2018. By production aggregates, the services sector acted as the principal driver of growth, adding 2pp to headline growth. Construction activity also made a positive contribution, with a solid rise of 12.3% yoy. The agriculture and industry sectors made a negative contribution to growth, due to the high base from the previous year and sector-specific one-off factors, respectively. By expenditure aggregates, growth was led by private consumption (3.2% yoy), which benefited from public wage and pension hikes and continued employment gains, and investment (8.4% yoy), as a result of strong FDI inflows and the continuing public investment cycle.

After reaching the midpoint in April, inflation embarked on a downward path, reaching 1.5% yoy in June. The rise in average consumer prices was sustained by the rise in vegetable and tobacco prices, while the price of fuels went in the opposite direction. Core inflation also decelerated in June, standing at 1.4% yoy, indicating still subdued inflationary pressures.

## Financial Markets

In July, the National Bank of Serbia cut the key policy rate by 25bps to 2.75%, its new lowest level in the inflation targeting regime. According to the central bank, inflation has been kept low and stable for the sixth year in a row, facilitating such an accommodative, growth-promoting tone of monetary policy. Furthermore, this decision represents a synchronisation of the NBS's monetary policy with that of the ECB and the Fed, which are expected to embark on a new round of monetary easing following slower growth and lower-than-expected inflation in the international environment. During the first six months of 2019, the Dinar appreciated against the Euro (+0.24%) and depreciated against the US dollar (-0.37%), while the NBS intervened on the interbank market by net purchasing EUR 1,540Mn to ease the pressure on the local currency.

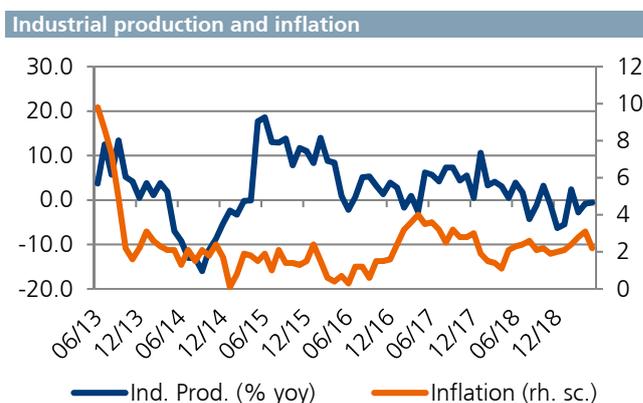
## Banking Sector

Strong bank lending continues in Serbia (+9.3% yoy in May), led by both corporate and household lending, which rose 8.0% and 10.9% yoy, respectively. The positive trend is expected to continue as a result of the relaxed monetary policy, the continuation of solid economic performance accompanied by gradual improvements in the labour market, reduced NPLs (NPL share currently at 5.4%), low interest rates in the Eurozone area and strong interbank competition. Moreover, the deposit base growth remains robust (+10.3% yoy in May), despite low interest rates.

Latest economic indicators			
%	Last value	1Q 19	4Q 18
Industrial production yoy	-0.6 (May)	-2.0	-1.4
Nom. exports yoy	11.6 (May)	6.6	8.5
Retail sales yoy	5.9 (May)	9.6	4.8
Inflation rate yoy	1.5% (June)	2.4	2.0
CB reference rate, eop	2.8 (19th Jul)	3.0	3.0
Loans (priv. sector, yoy, eop)	9.3 (May)	9.6	9.9
Deposits (priv. sector, yoy, eop)	10.3 (May)	14.6	14.9
Lending interest rate (corp., eop)	5.1 (May)	5.2	5.6
Deposit interest rate (hh, eop)	3.0 (May)	2.9	3.1

Source: Statistical Office, National Bank of Serbia

Miloš Drezga



Source: Statistical Office

## Moldova

## Real Economy

In 1Q19, Moldova's real GDP growth was 4.4% compared with the same period last year, accelerating from the 3.9% that was recorded in 4Q18. This evolution was driven by a positive contribution from net investments, which registered an 11.3% qoq rise in volume and had a 2.3% positive impact on GDP. Household consumption grew by 1.9%. Due to a higher qoq increase in exports (+9.5%) compared with imports (+3.8%), net exports (+1.0%) also positively impacted economic growth.

The yoy change in industrial production in May 2019 was negative (-5.4%), driven by a decrease in all industry sectors, mainly in the extractive industry, which fell by 17.0%, followed by the manufacturing industry (-5.3%) and the production of electricity, gas, steam, hot water and air conditioning supply (-2.6%). However, the yoy change in industrial output for the first five months of 2019 compared with the same period in 2018 was positive, by +2.1%.

In June 2019 the consumer price index decelerated, increasing by 4.4% yoy vs. 4.6% in May. The negative 0.2pp evolution of average consumer prices is due to a 1.1pp decrease in average food product prices. Overall, in 1H19 compared with 1H18 consumer prices rose by 3.2% due to positive changes being recorded on two of the major groups, namely food products (+5.0%) and non-food items (3.6%). The prices for services remained stable at the 2018 level.

## Financial Markets

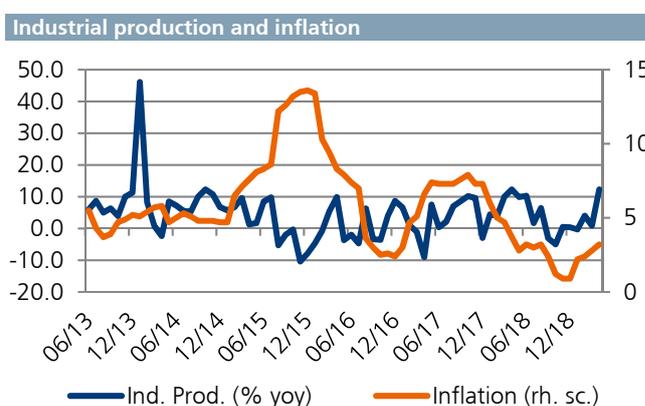
In July 2019, bond yields dipped by 0.7pp for the two-year maturity government bond, going back to the May 2019 level (6.2%) and remained unchanged for those with longer maturities (three- and five-year bonds). On the other hand, short-term treasury bill rates increased slightly by 0.01-0.03pp. NBM's base rate remained unchanged at 7.0%.

## Banking Sector

Total private sector deposits decelerated in May 2019, increasing by 8.8% yoy (vs. +9.1% in April 2019). This was due to the 6.3% yoy rise in the volume of corporate deposits, down from 10.98% in April. The deceleration in the increase in deposits from corporates was driven by a 4.97% fall in deposits in local currency (vs. -0.14% in May 2019). On the other hand, the yoy change in total loans granted in May 2019 was positive and stable (+15.9% in May 19 vs. +15.4% in April 19), both for household and corporate loans. As of May 2019, the Moldovan banking sector recorded a ratio of NPLs/total loans of 10.9%, the same as in April.

Latest economic indicators	Last value	1Q 19	4Q 18
Industrial production yoy	12.3 (Apr)	1.5	-1.4
Nom. exports yoy	-5.6 (May)	8.2	-3.6
PMI manufacturing	n.a.	n.a.	n.a.
Retail sales	17.1 (Apr)	16.6	7.7
Inflation rate yoy	4.4 (Jun)	2.5	1.0
CB reference rate	7.0 (28th Jun)	6.5	6.5
Loans (priv. sector, yoy, eop)	15.9 (May)	12.7	5.9
Deposits (priv. sector, yoy, eop)	8.8 (May)	3.0	6.0
Lending interest rate (corp., eop)	8.7 (May)	9.1	8.8
Deposit interest rate (hh, eop)	4.5 (May)	4.4	4.4

Source: National Bureau of Statistics of the Republic of Moldova, National Bank of Moldova



Source: National Bureau of Statistics of the Republic of Moldova

## Russia

## Real Economy

In 2Q19, Russian GDP accelerated to 0.8% yoy (after 0.5% yoy in 1Q19). The main positive contribution to the GDP growth in 2Q19 was made by the industrial sector, while the contribution of other basic industries (trade, construction, transport) was near zero, which indicates a low level of domestic demand in the economy. Industrial production growth accelerated in June to 3.3% yoy (vs. 0.9% yoy in May) due to improvements in the manufacturing sector, engineering and the chemical industries. According to the Central Bank of Russia, there will be a further acceleration in GDP growth in 3Q19 to around 1% as national projects are implemented and government investments increase. Retail sales demonstrated moderate positive dynamics: volumes grew by 1.4% yoy in both May and June after 1.2% in April, supported by increased sales of non-food items.

Irina Lekareva

In June, annual inflation slowed to 4.7% as a result of temporary factors (early harvest of vegetables), as well as the stabilisation of the fuel market and the RUB strengthening, which has been occurring since the beginning of the year.

## Financial Markets

In June, the RUB strengthened against the USD by 3.7%. This positive dynamic was supported by the higher price of Brent oil (+6% mom in June) even though the currency tends to be less dependent on oil price fluctuations. In June, the CBR decided to cut the key rate by 25bps to 7.50%. As annual inflation is slowing down, at its 26th July meeting the Central Bank followed up with another policy rate cut of 25bps (to 7.25%) while admitting, "If the situation develops in line with the baseline forecast, with the inflation trajectory leading to the 4% target in early 2020", "the possibility of further key rate reduction at one of the upcoming Board of Directors' meetings and a transition to neutral monetary policy in the first half of 2020".

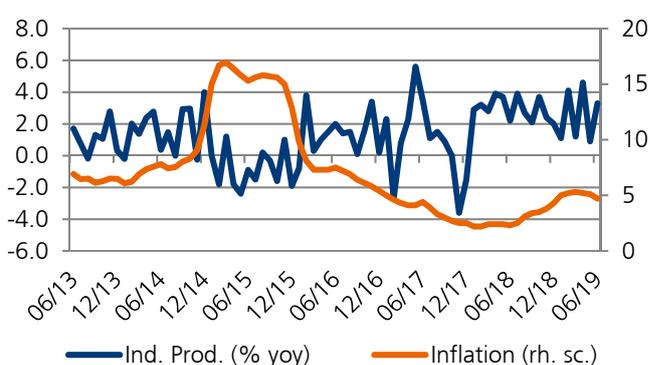
## Banking Sector

In April, there was an increase in the deposit portfolio: deposits grew by 10.8% yoy, boosted mainly by the corporate sector (+15% yoy against +7.8% yoy for households). Lending has accelerated significantly since the beginning of the year. In April, the loan portfolio increased by 11.3% yoy, largely driven by the household segment (+23.8% yoy). Corporate lending, unlike household lending, was characterised by relatively lower growth rates in April (+6.7% yoy). Thus, even despite the CBR's intention to restrain household lending, its growth continues apace. The authorities have recently expressed concerns about the high debt load of the Russian population. The Central Bank of Russia has already begun to take measures to cool down this segment. The regulator announced the introduction of additional measures to limit the debt load starting from October 2019.

Latest economic indicators				
%	Last value	1Q 19	4Q 18	
Industrial production yoy	3.3 (Jun)	2.1	2.7	
Nom. exports yoy	-13.5 (May)	-0.8	20.7	
Retail sales yoy	1.4 (Jun)	1.7	2.4	
PMI manufacturing	48.6 (Jun)	52.8	51.7	
Inflation rate yoy	4.7 (Jun)	5.2	3.9	
CB reference rate	7.25 (26th Jul)	7.8	7.8	
Loans (priv. sector, yoy, eop)	11.3 (Apr)	13.4	15.0	
Deposits (priv. sector, yoy, eop)	10.8 (Apr)	12.2	14.2	
Lending interest rate (corp., eop)	9.2 (Apr)	9.3	9.2	
Deposit interest rate (hh, eop)	5.7 (Apr)	6.0	5.6	

Source: State Statistics Federal Service, Central Bank of Russia

## Industrial production and inflation



Source: State Statistics Federal Service

## Ukraine

## Real Economy

The National Bank of Ukraine has improved its forecast for economic growth in 2019 from 2.5% to 3% on the back of better terms of trade, an expected increase in grain crops and solid domestic demand, which is likely to be the main driver of economic growth in the coming years.

Artem Krakovskyi

The increase in private consumption will slow down but will still be significant thanks to the increase in real household incomes. Strong support to the economy is also expected from investments in fixed capital, which will continue to grow at high rates. Industrial production growth in May slowed to 1.6% yoy, while the trade balance improved, with exports up 14% yoy and imports up 8% yoy, primarily due to lower prices for energy imports.

Inflation eased to 9% yoy in June from 9.6% in May, thanks to negative mom growth in June coming from the seasonal drop in food prices. Political uncertainty risks are fading away, as Ukraine successfully passed the parliamentary elections on July 21.

## Financial Markets

The deceleration of CPI allowed the central bank to soften monetary policy and decrease the key rate by 50bp to 17% on July 18. The easing cycle is likely to continue further to 15.50-16.50% this year and to 8% over the next years, provided that the inflation rate is sustained at a target of 5%.

The UAH has continued the revaluation pace, trading at a two-year high of US/UAH of 25.50, supported by solid demand for Ukrainian sovereign debt from international accounts on the back of positive business expectations.

As of July 20, foreign investors' holdings of local government bonds reached UAH 69Bn, having increased 10 times so far this year and pushing local yields down, but helping the central bank to fill monetary reserves (up USD 2Bn during 2019).

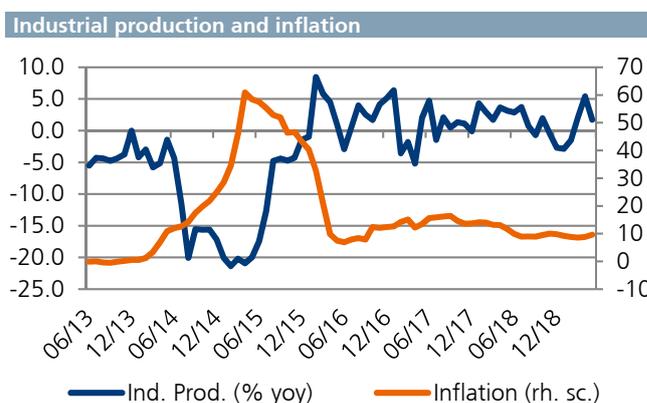
## Banking Sector

UAH interest rates are falling following the softening of monetary policy and the decrease in money market yields: the lending rate was 19.75% in May compared with 21.75% in December 2018; the deposit rate was 13.00% in June vs. 14.16% in December 2018.

Loans to the private sector decreased by 2% mom in May (the fall was mostly driven by the corporate segment) due to seasonal factors and the appreciation of the UAH, while deposits remained stable. Moody's changed its forecast for the banking system of Ukraine from positive to stable earlier in July, on the back of the acceleration of consumer lending growth, which brings more risks for the quality of assets in the long run.

Latest economic indicators			
	Last value	1Q 19	4Q 18
Industrial production yoy	1.7 (May)	-0.8	-0.4
Nom. exports yoy	7.4 (May)	8.1	9.7
PMI manufacturing	n.a.	n.a.	n.a.
Retail sales	9.1 (May)	8.1	4.8
Inflation rate yoy	9.0 (Jun)	8.9	9.8
CB reference rate	17.0 (19th Jul)	18.0	18.0
Loans (priv. sector, yoy, eop)	-0.2 (May)	3.0	6.3
Deposits (priv. sector, yoy, eop)	8.9 (May)	10.0	7.9
Lending interest rate (corp., eop)	17.9 (May)	17.9	21.4
Deposit interest rate (hh, eop)	14.5 (May)	14.3	14.7

Source: State Statistics Service of Ukraine, National Bank of Ukraine



Source: State Statistics Service of Ukraine

## Egypt

## Real Economy

Egypt's economy grew by 5.6% in FY2018/19, the highest growth achieved since FY2007/08. Due to fiscal consolidation, the overall budget deficit declined to 8.2% of GDP in FY2018/19, from 9.7% one year earlier, and the budget achieved a primary surplus of 2% of GDP, the best result in a decade.

In July 2019, the Egyptian government raised fuel prices for the fifth time since 2014 by 16-30%. This is the final hike as part of the reform programme it adopted to reach a 100% cost recovery ratio for most petroleum products. This is also the lowest increase since 2014 (almost 50% less than the 2018 hike). Egypt also started implementing a quarterly price index mechanism on all products with prices that shouldn't increase/decrease by more than 10%. Annual headline inflation declined to 9.4% in June from 14.1% in May, the lowest rate in more than three years. This was largely due to a strong favourable base effect as monthly inflation recorded a fall of 0.8% in June 2019 compared with a rise of 3.5% in the same month the previous year, which incorporated the impact of the implemented fiscal consolidation measures.

Samer Halim

## Financial Markets

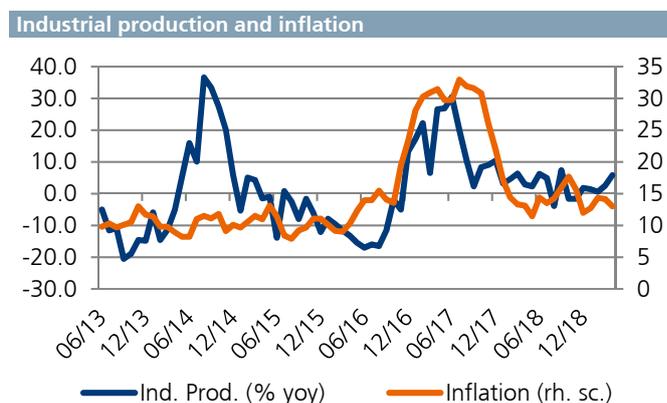
The Central Bank of Egypt decided to keep the overnight deposit and lending rates unchanged at 15.75% and 16.75%, respectively, at its Jul 19 meeting to assess the impact of rising energy prices, noting that international oil prices remain subject to volatility because of geopolitical risks and potential supply-side factors and that current rates do not negatively impact real GDP growth. Exchange rates have shown stability in July at an average of EGP 16.61 per USD compared with EGP 16.71 at the end of June and EGP 17.91 at the beginning of 2019. The current account deficit rose to USD 7.6Bn in 9M2018/19 from USD 5.5Bn in the same period last year, despite the improvement in tourism, Suez Canal revenues and the petroleum trade balance. The rising deficit was mainly due to the weak performance of non-petroleum exports, which declined by 3.1% yoy (on the back of the retreat in exports of gold) and the 11.8% rise in non-oil imports (owing to the pick-up in imports of investment goods by 12.5%, raw materials by 9.5%, and intermediate goods by 9.4%), which may pose some pressures on the local currency's exchange rate. However, foreign reserves maintained high levels of USD 44.4Bn in June.

## Banking Sector

Total loans to the private sector continued their steady growth in March, rising 16.3% yoy to EGP 1.1Trn, with corporate loans accounting for almost 70% of total private loans. The annual growth rate in deposits continued to decrease, rising 12.1% to EGP 3.2Trn, in accordance with declining interest rates. Banks' net foreign assets were USD 2Bn in May 2019, compared with negative USD 6.4Bn in December 2018, after eliminating the repatriation mechanism.

Latest economic indicators			
%	Last value	1Q 19	4Q 18
Industrial production, wda yoy	5.8 (Apr)	1.5	-0.5
Nom. exports yoy	14.0 (Apr)	6.7	5.1
Retail sales yoy	n.a.	n.a.	n.a.
PMI	49.2 (Jun)	49.9	49.6
Inflation rate yoy	9.4 (Jun)	13.7	15.1
CB reference rate	15.8 (19th Jul)	15.8	16.8
Loans (priv. sector, yoy, eop)	16.3 (Mar)	16.3	15.3
Deposits (priv. sector, yoy, eop)	12.1 (Mar)	12.1	13.8
Lending interest rate (corp., eop)	16.8 (May)	17.1	17.8
Deposit interest rate (hh, eop)	11.6 (May)	12.0	12.2

Source: Ministry of Industry &amp; Foreign Trade, Central Bank of Egypt



Source: Ministry of Planning, CAPMAS

## Country Data: Economy, Markets and Banks - the economic cycle

The Economy																			
	GDP chg yoy			Ind. Prod <sup>1</sup> . chg.yoy			Export nom. chg			Inflation chg yoy				Retail sales chg yoy			Economic Survey <sup>2</sup>		
	1019	4018	2018	Last	mt h	1019	Last	mt h	1019	Last	mt h	1019	2018	Last	mt h	1019	Last	mt h	1019
<b>CEE</b>																			
Czech Rep.	2.8	3.1	3.0	3.2	May	0.3	8.8	May	5.5	2.7	Jun	2.7	2.1	2.3	May	2.3	103.5	Jun	108.8
Hungary	5.3	5.1	4.9	8.7	May	6.1	4.5	May	5.9	3.4	Jun	3.2	2.8	2.6	May	5.1	111.2	Jun	118.7
Poland	4.6	4.9	5.1	7.7	May	6.2	6.6	May	-4.9	2.6	Jun	1.3	1.7	5.6	May	6.2	103.0	Jun	106.6
Slovakia	3.7	3.6	4.1	4.7	May	6.7	-0.2	May	8.8	2.6	Jun	2.4	2.5	-2.7	May	4.0	95.2	Jun	97.6
Slovenia	3.2	4.1	4.5	3.1	May	4.4	10.6	May	9.4	1.9	Jun	1.3	1.9	n.a.	n.a.	n.a.	104.8	Jun	108.3
<b>SEE</b>																			
Albania	2.2	3.1	4.1	n.a.	n.a.	n.a.	-4.4	Jun	-3.2	1.3	Jun	1.6	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosnia H.	2.3	3.2	3.0	-4.0	May	-5.1	1.3	May	-0.6	0.8	May	1.0	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Croatia	3.9	2.3	2.6	0.1	May	2.7	5.0	Apr	9.3	0.6	Jun	0.5	1.5	n.a.	n.a.	n.a.	112.2	Jun	114.3
Romania	5.0	4.0	4.1	0.2	May	0.9	4.4	May	3.3	3.8	Jun	3.7	4.6	3.9	May	5.9	102.5	Jun	101.3
Serbia	2.5	3.4	4.3	-0.6	May	-2.0	11.6	May	6.6	1.5	Jun	2.4	2.0	5.9	May	4.8	n.a.	n.a.	n.a.
<b>CIS MENA</b>																			
Moldova	4.4	3.9	4.0	-5.4	May	1.5	-5.6	May	8.2	4.4	Jun	2.5	3.1	17.9	May	7.7	n.a.	n.a.	n.a.
Russia	0.5	2.7	2.3	3.3	Jun	2.1	-13.5	May	-0.8	4.7	Jun	5.2	2.9	1.4	May	2.4	48.6	Jun	51.7
Ukraine	2.5	3.5	3.3	1.7	May	-0.8	7.4	May	8.1	9.0	Jun	8.9	11.0	14.8	Jun	4.8	n.a.	n.a.	n.a.
Egypt	5.6	5.5	5.4	5.8	Apr	1.5	14.0	Apr	6.7	9.4	Jun	13.7	14.4	n.a.	n.a.	n.a.	49.2	Jun	49.6
<i>m.i. E.A.</i>	<i>1.2</i>	<i>1.2</i>	<i>1.9</i>	<i>-0.5</i>	<i>May</i>	<i>-0.3</i>	<i>7.1</i>	<i>May</i>	<i>4.2</i>	<i>1.3</i>	<i>Jun</i>	<i>1.4</i>	<i>1.8</i>						

Source: Datastream, Reuters; <sup>1</sup>Wda data for Slovakia, Slovenia; Bosnia, Croatia, Egypt; <sup>2</sup>PMI manufacturing for Russia and Egypt, ESI for remaining countries.

Markets and Ratings																	
	S/T rates <sup>1</sup>		L/T rates <sup>2</sup>		Foreign exchanges <sup>3</sup>			Stock markets		CDS spread (bp)		FX res. chg (mln €) <sup>4</sup>			CA bal. (mln)		Rating
	24/07	cha bn	24/07	cha bn	24/07	3M	1Y	3M	1Y	24/07	24/04	1019	4018	2018	1019	4018	Moody's
<b>CEE</b>																	
<b>Vs Euro</b>																	
Czech	2.2	0.1	1.4	-0.5	25.52	-0.86	-0.63	-1.2	-1.7	38.1	39.4	n.a.	n.a.	n.a.	1740	430	A1
Hungary	0.3	0.1	2.4	-0.4	325.82	1.44	-0.31	-5.2	17.8	74.2	80.6	n.a.	n.a.	n.a.	n.a.	-349	Baa3
Poland	1.6	-0.1	2.0	-0.9	4.26	-0.73	-1.56	-0.3	3.7	20.6	38.1	n.a.	n.a.	n.a.	n.a.	-1753	A2
Slovakia	-0.4	-0.1	0.0	-0.5	Euro	Euro	Euro	-2.4	1.1	40.1	41.4	n.s.	n.s.	n.s.	n.a.	n.a.	A2
Slovenia	-0.4	-0.1	0.1	-0.4	Euro	Euro	Euro	-1.4	-1.9	71.4	73.0	n.s.	n.s.	n.s.	759	596	Baa1
<b>SEE</b>																	
Albania	1.5	0.1	n.a.	n.a.	121.85	-1.52	-3.22	n.a.	n.a.	n.a.	n.a.	n.a.	274	372	n.a.	-364	B1
Bosnia H.	n.a.	n.a.	n.a.	n.a.	1.96	Board	Board	n.a.	n.a.	n.a.	n.a.	n.a.	31	545	n.a.	-208	B3
Croatia	0.5	0.0	1.1	-0.7	7.38	-0.59	-0.07	5.7	5.0	82.4	96.5	883	801	1732	-2203	-984	Ba2
Romania	2.9	-0.3	4.3	-0.7	4.72	-0.78	1.7	6.6	12.2	81.4	90.8	-829	1151	1619	-1212	-9161	Baa3
Serbia	2.8	-0.3	n.a.	n.a.	117.89	-0.08	-0.08	15.9	-4.2	104.9	120.6	-1454	592	1822	-937	-589	Ba3
<b>CIS</b>																	
<b>Vs USD</b>																	
Moldova	7.0	0.5	6.2	0.0	17.54	-1.74	5.52	n.a.	n.a.	n.a.	n.a.				13	272	B3
Russia	7.8	-0.5	7.3	-1.0	63.13	-1.04	-0.11	2.7	16.9	103.0	132.5	15920	-126	35753	33692	38800	Baa3
Ukraine	19.5	-0.4	17.7	-0.7	25.47	-4.47	-4.03	-10.1	-9.7	490.2	650.8	-210	4412	4232	-25	-896	Caa1
Egypt	17.8	0.4	15.7	-0.6	16.61	-3.26	-7.15	-5.7	-0.5	310.6	313.6	1561	-1908	5531		-2185	B2
<i>m.i. E.A.</i>	<i>-0.4</i>	<i>-0.1</i>	<i>-0.4</i>	<i>-0.4</i>	<i>1.1</i>	<i>-0.5</i>	<i>-4.9</i>	<i>0.6</i>	<i>2.3</i>	<i>5.4</i>	<i>6.3</i>						

Source: Datastream, Reuters; <sup>1</sup>The data for Egypt refers to june, for Czech Republic refers to june, for Moldova refers to december; <sup>2</sup>For Ukraine, the long-term rate refers to a government issue in dollars; <sup>3</sup>The (-) sign indicates appreciation; <sup>4</sup>USD for Russia, Egypt, Ukraine, Romania; <sup>5</sup>USD for Russia, Egypt, Ukraine

Banking aggregates and interest rates (private sector)																							
	Loans			NPL/Loans			Foreign Liab.			Deposits			Loans rate <sup>1</sup> -NewB*.			DepositsRate <sup>1</sup> -			Loans/Dep				
	Last	Mth	2018	Last	mt h	2018	Last	mt h	2018	Last	Mth	2018	Last	mt h	2018	S <sup>4</sup>	Last	mt h	2018	S <sup>4</sup>	Last	mt h	2018
<b>CEE</b>																							
Czech Rep.	6.3	May	6.8	3.0	May	3.3	-5.0	May	-0.9	6.6	May	6.9	3.15	May	3.31	C	1.54	May	1.35	H	75.2	May	75.7
Hungary	11.3	May	10.6	3.3	Dec	3.3	-2.6	May	1.5	10.3	May	14.1	2.47	May	2.3	C	0.19	May	0.18	H	80.0	May	77.7
Poland	6.1	May	7.9	4.0	Mar	3.9	-7.7	May	-2.9	11.6	May	9.4	3.65	May	3.48	C	1.63	May	1.62	H	96.8	May	97.0
Slovakia	8.3	May	9.1	3.1	May	3.3	1.5	May	-0.1	5.6	May	7.3	2.05	May	2.01	C <sup>2</sup>	0.07	May	0.07	H <sup>2</sup>	102.5	May	101.4
Slovenia	3.2	May	2.6	3.5	May	4.0	-7.9	May	-16.5	5.9	May	6.7	2.14	May	2.22	C <sup>2</sup>	0.19	May	0.17	H <sup>2</sup>	75.6	May	75.3
<b>SEE</b>																							
Albania	0.9	May	-3.8	11.4	May	11.1	-1.3	May	-4.4	2.4	May	-0.9	9.67	May	8.16	PS	0.53	May	0.62	PS	54.0	May	52.8
Bosnia H.	6.1	May	5.5	8.5	Mar	8.8	7.6	May	17.4	7.4	May	8.5	2.97	May	3.1	C	0.43	May	0.34	H	106.9	May	105.4
Croatia	3.3	May	2.3	9.5	Mar	9.8	16.2	May	6.7	4.3	May	5.0	6.01	May	6.17	PS	0.28	May	0.45	PS	79.5	May	76.6
Romania	7.5	May	7.9	4.9	Mar	5.0	-13.1	May	-8.4	10.0	May	9.2	7.77	May	6.97	PS	2.07	May	1.96	PS	78.3	May	78.4
Serbia	9.3	May	9.9	5.4	Apr	5.7	11.0	May	24.0	10.3	May	14.9	8.79	May	7.74	PS	2.78	May	2.78	PS	100.2	May	96.9
<b>CIS MENA</b>																							
Moldova	15.9	May	5.9	10.9	May	12.5	1.9	May	-30.7	8.8	May	6.0	8.59	May	8.64	C	4.36	May	4.25	H	57.3	May	55.9
Russia	11.3	Apr	15.0	10.2	Apr	10.1	-16.2	Apr	-0.4	10.8	Apr	14.2	9.24	Apr	9.2	C	5.72	Apr	5.62	H	106.4	Apr	105.6
Ukraine	-0.2	May	6.3	51.4	Apr	52.9	-17.9	May	-7.5	8.9	May	7.9	19.66	May	21.75	PS	13.0	May	14.16	PS	118.6	May	121.2
Egypt	16.3	Mar	15.3	3.9	Dec	3.9	19.9	Mar	10.7	12.1	Mar	13.8	16.8	Mar	17.8	C	11.6	Mar	12.2	H	34.8	Mar	34.3
<i>m.i. E.A.</i>	<i>2.6</i>	<i>May</i>	<i>2.0</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>2.4</i>	<i>May</i>	<i>7.9</i>	<i>4.5</i>	<i>May</i>	<i>3.6</i>	<i>1.1</i>	<i>May</i>	<i>1.3</i>	<i>C</i>	<i>0.3</i>	<i>May</i>	<i>0.3</i>	<i>H</i>	<i>79.9</i>	<i>May</i>	<i>80.6</i>

Source: Central Banks, IMF, Moody's; <sup>1</sup>monthly average; <sup>2</sup>lending rate on current account overdraft; on deposits up to 1 year

<sup>3</sup>Sector C=Corporates, H=Household, PS=Private Sector.

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